



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

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June 9, 2015

MEMORANDUM

TO: Members of the Commission

FROM: Joseph DeLosa, Public Utilities Analyst *JDS*

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY TO ESTABLISH A UTILITY FACILITY RELOCATION CHARGE ("UFRC") RATE TO RECOVER COSTS ASSOCIATED WITH THE RELOCATION OF GAS UTILITY FACILITIES PURSUANT TO 26 DEL. C. §315 (FILED MAY 29, 2015) - PSC DOCKET NO. 15-1011

Background:

On July 9, 2001, the General Assembly and the Governor enacted 26 *Del. C.* § 315, which permits natural gas utilities to impose a rate for a "Utility Facility Relocation Charge" ("UFRC Rate") during the period between full rate case proceedings. This UFRC Rate allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in Eligible Utility Facility Relocations¹ recently put into service. The UFRC Rate is intended to allow Delmarva Power & Light Company ("Company") to recover a portion of the cost of relocation of existing facilities necessitated by Department of Transportation or other government agency projects until such time as the Company can fully recover their investment in a general rate case.

Eligible Utility Facility Relocations ("Eligible Relocation") means new, used and useful utility plant or facilities of an electric or natural gas utility that:

1. Do not include that portion of any plant or facilities used to increase capacity of or connect to the transmission or distribution system to serve new or additional load;

¹ See 26 *Del. C.* §315 (a) (1)

2. Are in service; and
3. Were not included in the utility's rate base in its most recent general rate case; and which
4. Relocate, as required or necessitated by Department of Transportation or other government agency projects, without reimbursement existing facilities, including but not limited to, mains, lines, and services, whether underground or aerial.²

Commission Order No. 8138, dated April 17, 2012, approved the final UFRC Rate regulations³. The Company then filed a general rate case, Docket No. 12-546, on December 7, 2012. This docket concluded with Order No. 8465, dated October 22, 2013, which in part approved tariff revisions that added a billing line item to recover these Eligible Relocation costs in a UFRC Rate known as "Rider UFRC".⁴ 26 Del. Admin. C. §1009-2.1 provides that a utility may file for a UFRC Rate adjustment no less than 30 days prior to the prescribed effective dates of January 1 or July 1 of each year.⁵

The UFRC Rate is calculated as a percentage of the semi-annual projected distribution revenues for the applicable recovery period. This percentage adder is then incorporated into the distribution portion of the customer's natural gas utility bill. Between rate cases, the UFRC Rate revenues are capped at 7.5% of the amount billed to customers under the Commission-approved rates and charges; however, the UFRC Rate revenues collected by a natural gas utility company cannot exceed 5% of the natural gas utility's total revenues in any 12-month period.⁶

Application:

The Company filed this application on May 29, 2015 to establish the UFRC Rate for recovery of a portion of capital improvements costs associated with gas facility relocations due to projects by the Department of Transportation or other government agencies. In this instant docket, the Company has applied for a UFRC Rate of 1.74%, with an effective date of July 1, 2015. This is based on a semi-annual investment cost recovery of \$417,335.92 and an associated semi-annual depreciation expense of \$139,059.26.

This is the Company's first UFRC Rate filing.⁷ The Company seeks to recover a UFRC Rate, calculated in accordance with 26 Del. Admin. C. §1009-3, for Eligible Relocations during the time period of January 1, 2013 through March 31, 2015. 26 Del. C. §315(c), references 26 Del. C. §314(b)(5) which provides that "The [UFRC] Rate shall be adjusted semiannually for eligible distribution system improvements placed in service during the 6-month period ending 2 months

² 26 Del. C. §315 (a)

³ 26 Del. Admin. C. §1009

⁴ DP&L Gas Tariff Leaf No. 81-83.

⁵ 26 Del. C. §§314(b)(3) and 315(c)

⁶ 26 Del. Admin. C. 1009-5.5 and 26 Del. C. §§314(b)(7) and 315(c)

⁷ Delmarva's May 29 UFRC Application Exhibit "C"

prior to the effective date of changes in the [UFRC] Rate.⁸ However, neither the statutory language nor the regulations governing the UFRC Rate specify a specific time period required for Eligible Relocations to become eligible for the Company's *initial* application.

Staff would like to make the Commission aware of the issue that the Company is basing the UFRC Rate on facilities put in service for the past 27 months. The Commission may wish to consider whether there should be a strict reading of the 6 months' time frame or allow as the Company has asked that this initial UFRC Rate be based on the period January 1, 2013 – March 31, 2015. Since the statute is silent on the initial filing period, Staff does not object to this application. Staff also points out that during the Company's next base rate filing, these facilities will be put into rate base subject to audit for cost recovery. In the Company's next base rate case the UFRC Rate will be reset to 0.0%.

Recommendation:

It is Staff's recommendation that going forward, the Company would file their UFRC Rate semi-annually as prescribed in 26 Del. C. §314(b)(5) or until the Commission orders otherwise.

Staff recommends that the Commission allow this UFRC Rate to go into effect on July 1, 2015, and have this UFRC Rate remain subject to review, audit, and reconciliation by Staff including but not limited to all the facilities that were included as part of this UFRC Rate.

⁸ The statutory language for Utility Distribution System Improvement Charges (DSIC) and Utility Facility Relocation Charges (UFRC) are inextricably linked. 26 Del. C. §315(c), the statutory language regarding UFRC Rates, cites 26 Del. C. §314(b), the statutory language regarding DSIC, for many specifics on the implementation of the UFRC Rate. The quote to which this footnote is attached is taken from 26 Del. C. §314(b)(5), with brackets simply replacing "DISC" with "UFRC".